

Service Date: September 30, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the application)	UTILITY DIVISION
of Great Falls Gas Company for)	
Authority to Increase Rates to)	DOCKET NO. 86.8.38
Reflect the Loss of Load at)	INTERIM ORDER NO. 5228
Malmstrom Air Force Base.)	

On August 15, 1986, Great Falls Gas Company (GFG or Company) filed an application to increase rates to reflect the loss of a significant portion of its load which is associated with the Malmstrom Air Force Base. In its filing the Company indicated that the new reduced load for Malmstrom would be 268,000 Mcf per year. This loss in load resulted in the need for additional annual revenues of \$248,238. The Company asked the Commission to approve the request for higher rates on an interim basis contemporaneous to the load loss in mid-September or at the latest by October 1st.

The loss of the Malmstrom load has been the subject of discussions between the Company and the Commission for several years. The loss of this load represents a unique situation in terms of proper ratemaking treatment. In Docket No. 85.7.26 the Commission found that the proper level of volumes for Malmstrom was 519,496 Mcf on an annual basis. A decline to the level of 268,000 Mcf as noted above represents a decline in this load of 48 percent. A drop in the Malmstrom load of this magnitude is very significant for a company the size of GFG. If the Commission failed to reflect this loss of load, there would be little chance

that GFG would have an opportunity to earn their authorized rate of return. As a result, the Commission finds that in this instance, it is appropriate to give expedited treatment to this loss of load. While the Commission is granting this treatment to GFG, it does not wish to have this treatment applied for by utilities on a regular basis. This load loss was very large and has a major impact on the financial health of GFG. In the future, as it has in the past, the Commission believes that the proper forum for setting a utility's sales volumes should be a general rate case.

On September 19, 1986, the Company filed an amended application for rate relief. In responding to data requests from the Commission staff, the Company discovered that the volumes for Malmstrom had not been normalized. Normalization of that estimate results in a lower estimate of future consumption by Malmstrom. The new volume for Malmstrom is estimated to be 259,213 Mcf on an annual basis. The lower consumption results in a higher revenue requirement. This amended application therefore requested that the Commission approve a tariff designed to increase revenues by \$259,557 rather than the \$248,238 contained in the initial application.

The Commission has examined the filing of GFG and finds that it is appropriate to grant additional annual revenues of \$259,557 on an interim basis subject to refund with interest at the rate of 14.5 percent. This increase shall not be effective until the Commission staff is notified that the conversion to the coal fired heating plant at Malmstrom has actually occurred, and has verified the same.

The Company has also asked that the Commission approve tariffs associated with this matter before the time that the conversion actually takes place. The Commission declines to pre-approve tariffs for this case. At the time the loss is known to have occurred, the Company shall file tariffs to reflect that loss. After the tariffs have been approved by the Commission staff, they will become effective for service rendered on and after the date of the conversion. The Company also asked the Commission to approve a balancing account for future Malmstrom volumes in the final order in this Docket. The Commission will make no findings with respect to the proposed balancing account until the final order. However, the Commission would note that adoption of such an account seemingly would guarantee the Malmstrom portion of the Company's sales market. Such a guarantee would appear to reduce the risk of doing business for GFG. It is likely that this reduced risk would be reflected in the cost of capital. The Company also proposed to offset this balancing account against the current rebate which arose from the over-collection of interim revenues from Order No. 5153. This proposal is rejected by the Commission. The rebate should be kept separate from the balancing account for the sake of clarity.

The Company and the Montana Consumer Counsel have agreed to negotiate a new cost of capital before the onset of the heating season. The Commission encourages the parties to reach an agreement on this issue, so that the change may be included in the final order in this Docket.

CONCLUSIONS OF LAW

1. Great Falls Gas Company is a public utility furnishing natural gas service to consumers in the State of Montana. As such, it is subject to the supervision, regulation and control of this Commission. Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part. . . "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. If the final decision of the Commission is to disapprove the increase granted on an interim basis, the Commission will order a rebate thereof with interest of 14.5 percent to all customers (except the SPI rate), as was agreed by the Applicant.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Great Falls Gas Company is hereby granted authority to implement on an interim basis increased rates designed to generate \$259,557 in additional revenue on an annual basis.

2. Great Falls Gas is to file revised rate schedules spreading the increased revenues to the existing customers (except the SPI) on a uniform cents per McF basis.

3. Nothing in this Interim Order precludes the Commission from adopting in its final order after reviewing the entire record in

this Docket a revenue requirement different from that contained in this Order.

4. The interim relief granted in this Order is to be effective for natural gas service rendered on and after the date that the conversion to the coal fired heating plant at Malmstrom Air Force Base actually occurs.

DONE IN OPEN SESSION at Helena, Montana this 29th day of September by a 3 - 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

Clyde Jarvis, Chairman

Howard L. Ellis, Commissioner

Tom Monahan, Commissioner
Dissenting

Danny Oberg, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.